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OO RUEHCHI RUEHDT RUEHHM RUEHNH  
DE RUEHGO #1471/01 2770722  
ZNR UUUUU ZZH  
O 040722Z OCT 06  
FM AMEMBASSY RANGOON  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 5227  
INFO RUCNASE/ASEAN MEMBER COLLECTIVE  
RUEHBJ/AMEMBASSY BEIJING 1148  
RUEHBY/AMEMBASSY CANBERRA 9915  
RUEHKA/AMEMBASSY DHAKA 4346  
RUEHLO/AMEMBASSY LONDON 1809  
RUEHNE/AMEMBASSY NEW DELHI 3542  
RUEHUL/AMEMBASSY SEOUL 7014  
RUEHTC/AMEMBASSY THE HAGUE 0556  
RUEHKO/AMEMBASSY TOKYO 4633  
RUEHCI/AMCONSUL CALCUTTA 0919  
RUEHCN/AMCONSUL CHENGDU 0923  
RUDKIA/AMCONSUL CHIANG MAI 0647  
RUCPDO/DEPT OF COMMERCE WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEHGV/USMISSION GENEVA 2872  
RHEHNSC/NSC WASHDC  
RUEKJCS/SECDEF WASHDC  
RUEKJCS/JOINT STAFF WASHDC  
RUCNDT/USMISSION USUN NEW YORK 0524  
RUEHBS/USEU BRUSSELS

UNCLAS SECTION 01 OF 02 RANGOON 001471

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STATE FOR EAP/MLS, EB/TPP/ABT:TLERSTEN; PASS TO USTR FOR  
AHEYLIGER; COMMERCE FOR ITA/OTEXA:MDANDREA; TREASURY FOR  
OASIA:AJEWELL

E.O. 12958: N/A

TAGS: [ECON](#) [ETRD](#) [KTEX](#) [BM](#)

SUBJECT: BURMA'S TEXTILES AND APPAREL SECTOR: SMALL AND  
SHRINKING

REF: STATE 138090

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¶1. Summary: Employment levels and company profits in the  
Burmese garment and textile sector decreased steadily over  
the past three years, and accounted for less than five  
percent of total trade earnings in 2005. Since most garment  
exports are produced using imported goods, the chief economic  
impact of the decline is increased unemployment. Burma  
profited briefly from US/EU limitations on Chinese imports in  
2005-06, but volumes have since returned to their normal,  
minimal level. End summary.

¶2. GOB economic information is rarely available and generally  
unreliable. The regime considers data on industrial  
production and textile and apparel production confidential  
and does not publish it. Answers to reftel questions for  
2005 and the sources we used follow:

- Total garment exports: \$250 million (source: Business  
Information Group, BIG)
- Garment exports Jan-July 2006: \$177 million (source: BIG)
- Textile/apparel share of total trade: 4.3% (source:  
Central Statistics Organization, CSO)
- Exports in textiles/apparel to the US: \$20,000 (source:  
BIG)
- Manufacturing employment: 1.2 million (source: GOB  
statistics projected from 1990 Labor Force Survey)
- Textile and apparel employment: 150,000, about half  
working in privately owned factories (source: private  
industry contacts)

¶3. Q: Are host country producers receiving lower prices due

to heightened international competition? Are orders the same as last year? Have foreign investors left?

A: In 2005, garment producers primarily performed CMP (cut, manufacture and pack) operations, using inputs mainly imported from China, and exporting finished products to Europe, Japan, Singapore, Malaysia, Hong Kong, and Canada. Private garment factory owners tell us that they face decreasing prices for their production. Labor costs in Burma are lower than most competitors in the region, they said, but their logistics costs are higher. Burma's crumbling infrastructure, cumbersome import/export processes, and unpredictable government interference make operations riskier and more expensive, so garment producers are forced to take lower prices per piece. One owner also told us that after 2003, U.S. sanctions dissuaded most major buyers from sourcing in Burma, and some Hong Kong and Taiwanese investors moved their production to China and Vietnam. Most factories in Burma now take whatever foreign orders they can get.

14. Q: Has increased global competition affected local labor conditions?

A: Burmese wages are already among the lowest in the region, so global competition has a smaller impact on Burma's isolated economy than domestic factors. Factory workers demanded, and in most cases, received, a significant wage increase in April 2006 when the GOB increased civil service salaries across the board. Garment workers at the bottom of the scale now earn K.30,000 per month, just over US\$22 at market exchange rates. About half of all garment sector employees work at government-owned factories.

15. Q: Have US and EU restrictions on China affected export prospects of host country producers?

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Due to low demand in 2003 and 2004, many manufacturers operated for only three to four months of the year. According to the Secretary of the Garment Manufacturers Association, from July 2005 to June 2006, Burmese factories received 50 percent more orders than the prior year because the EU and US imposed the Safe Guard system and reduced imports from China. After August 2006, the number of orders fell back to normal as most buyers returned to Chinese suppliers.

16. Q: Has the host country taken action to increase the country's competitiveness? Does Post think the strategy will be successful?

A: The GOB offers modest tax benefits to factory owners, upgraded its port facilities, and recently promised to supply a few industrial zones with more reliable electricity. Officials plan to develop free trade zones or industrial zones on the coast following the model of Chinese Laws on industrial zones. The government-controlled Federated Chambers of Commerce offer training courses with private sector sponsorship to upgrade workers' skills. However, despite these modest incentives, Burma's business climate remains unattractive to both domestic and foreign investors. Productivity is low, infrastructure is deteriorating, and corruption and political intervention are rife. Until the government establishes more predictable, efficient, and transparent economic and business policies, Burma's share of the global textiles and apparel sector will continue to shrink.  
STOLTZ